

AUDITED FINANCIAL STATEMENTS

AUGUSTA-ROSS DISTRICT LIBRARY

December 31, 2008

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CALVIN D. MEEUSEN, C. P. A., PLLC

CALVIN D. MEEUSEN
CERTIFIED PUBLIC ACCOUNTANT

600 S. BEACON BLVD., SUITE 1 A * GRAND HAVEN, MI 49417-2178
(616) 846-6210 FAX (616) 846-5111

348 S. WAVERLY RD., SUITE 126 * HOLLAND, MI 49423-8102
(616) 395-8477

INDEPENDENT AUDITOR'S REPORT

Augusta-Ross District Library
Augusta, Michigan

I have audited the accompanying financial statements of the government activities and the discretely presented component unit of the Augusta-Ross District Library, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Augusta-Ross District Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements listed in the table of contents present fairly in all material respects, the financial position of the governmental activities and the discretely presented component unit of the Augusta-Ross District Library at December 31, 2008, and the results of the operations of such activities for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My report of comments and recommendations has been submitted under date of January 23, 2009.

Calvin D. Meeusen, C.P.A., PLLC

January 23, 2009

Augusta-Ross District Library
Management's Discussion and Analysis
December 31, 2008

Using this Management's Discussion and Analysis

This annual report consists of the Library's financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library and present a longer-term view of the Library's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending.

The Library as a Whole

The Library's total net assets increased approximately 2% from a year ago - increasing from \$348,405 to \$353,946. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

| | Governmental Activities | |
|--|----------------------------|------------------|
| | <u>2008</u> | <u>2007</u> |
| Current Assets | \$336,888 | \$306,993 |
| Noncurrent Assets | <u>159,292</u> | <u>159,483</u> |
| Total Assets | 496,180 | 466,476 |
| Current Liabilities | 142,234 | 118,071 |
| Long-Term Debt Outstanding | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>142,234</u> | <u>118,071</u> |
| Net Assets | | |
| Invested in Capital Assets-Net of Debt | 159,292 | 159,483 |
| Unrestricted | <u>194,654</u> | <u>188,922</u> |
| Total Net Assets | <u>\$353,946</u> | <u>\$348,405</u> |

Unrestricted net assets, which represent net assets that can be used to finance day to day operations, increased by \$5,732 for the year. This represents an increase of approximately 3%. The current level of unrestricted net assets for our governmental activities stands at \$194,654 or about 125% of operating expenditures.

Augusta-Ross District Library
Management's Discussion and Analysis
December 31, 2008

The following table shows the changes of the net assets as of the current date to the prior year:

| | Governmental Activities | |
|------------------------------|----------------------------|------------------|
| | <u>2008</u> | <u>2007</u> |
| Revenues: | | |
| Property taxes | \$116,491 | \$110,836 |
| State grants | 4,871 | 5,988 |
| Fines and forfeits | 20,870 | 20,781 |
| Contributions | 3,714 | 5,116 |
| Investment return | 11,883 | 11,731 |
| Other revenue | <u>3,126</u> | <u>12</u> |
| TOTAL REVENUES | 160,955 | 154,464 |
| Expenses: | | |
| Salaries and fringe benefits | 95,803 | 84,301 |
| Supplies | 5,449 | 5,426 |
| Board expenses | 7,951 | 6,880 |
| Repairs and maintenance | 8,195 | 4,204 |
| Insurance | 2,378 | 2,341 |
| Telephone | 2,773 | 2,866 |
| Utilities | 5,604 | 5,111 |
| Depreciation | 24,694 | 24,027 |
| Miscellaneous | <u>2,567</u> | <u>2,383</u> |
| TOTAL EXPENSES | <u>155,414</u> | <u>137,539</u> |
| INCREASE IN NET ASSETS | 5,541 | 16,925 |
| Net Assets at January 1 | <u>348,405</u> | <u>331,480</u> |
| Net Assets at December 31 | <u>\$353,946</u> | <u>\$348,405</u> |

The Library's net assets continue to remain healthy. The library has enough cash on hand at the end of the year to fund normal operating expenses in similar circumstances for over twelve months.

Augusta-Ross District Library
Management's Discussion and Analysis
December 31, 2008

Governmental Activities

The Library's total revenues in the General Fund were \$160,955, an increase from the prior year of 4%. Property tax revenue from the district library millage, which contributes 72% of the total revenue, increased by 5.1% over the last year.

General Fund expenditures increased this year due to increases in several areas, including salaries, books and related materials and utilities. This is attributable to added staff, Library materials now in electronic format and the rising cost of energy.

The Library's Funds

An analysis of the Library's General Fund follows the notes to the financial statements. The fund financial statements provide detail information about the most significant funds, not the Library as a whole. The Library Board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities. The Library's major fund for 2008 is the General Fund.

The General Fund pays the Library's general operating expenditures. The most significant are salaries and fringe benefits of approximately \$95,803 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events during the year. Library expenditures overall stayed below budget, resulting in total expenditures of \$486 below budget. The General Fund's fund balance increased from \$188,922 a year ago to \$194,654 at December 31, 2008.

Budget adjustments were made to address costs and expenditures for the year. Proposed budget figures were adjusted to include the salaries of added staff and cost to update our technology.

Capital Asset and Debt Administration

At December 31, 2008 the Library had \$415,153 invested in a broad range of capital assets, buildings, books and other collections, and furniture and equipment.

Augusta-Ross District Library
Management's Discussion and Analysis
December 31, 2008

Economic Factors and Next Year's Budgets and Rates

The Library's budget for the next fiscal year projects property taxes, which is the largest source of revenue, to increase. Interest revenue and penal fines will probably remain steady. The State of Michigan has again experienced budgeting problems and as solutions are looked for, state aid revenue may decline. Salaries, which remain as the largest expenditure, should remain fairly constant. No additional staff positions are anticipated.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and other interested parties with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (269) 731-4000.

Augusta-Ross District Library
Governmental Funds Balance Sheet/Statement of Net Assets
December 31, 2008

| | General Fund Modified Accrual Basis | Adjustments | Statement of Net Assets | Component <u>Unit</u> Expendable Trust |
|--|---|-------------------|----------------------------|---|
| Assets | | | | |
| Cash | \$ 190,948 | \$ - | \$ 190,948 | \$ - |
| Investments | - | - | - | 136,770 |
| Receivables: | | | | |
| Taxes | 141,833 | - | 141,833 | - |
| Interest | 4,107 | - | 4,107 | - |
| Property, plant and equipment (net) | - | 159,292 | 159,292 | - |
| Total assets | \$ 336,888 | \$ 159,292 | \$ 496,180 | 136,770 |
| Liabilities | | | | |
| Accounts payable | \$ 401 | \$ - | \$ 401 | \$ - |
| Deferred revenue | 141,833 | - | 141,833 | - |
| Total Liabilities | \$ 142,234 | \$ - | \$ 142,234 | \$ - |
| Fund Balance/Net Assets | | | | |
| Fund Balances | | | | |
| Designated for building | 43,000 | (43,000) | - | - |
| Undesignated | 151,654 | (151,654) | - | - |
| Total fund equities | 194,654 | (194,654) | - | - |
| Total liabilities and fund balance | \$ <u>336,888</u> | | | |
| Net Assets | | | | |
| Invested in Capital Assets- | | | | |
| Net of Related Debt | | 159,292 | 159,292 | |
| Unrestricted | | 194,654 | 194,654 | 136,770 |
| Total Net Assets | | \$ <u>353,946</u> | \$ <u>353,946</u> | \$ <u>136,770</u> |

The accompanying notes are an integral part of this statement.

Augusta-Ross District Library
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund
Balance/Statement of Activities
Year ended December 31, 2008

| | General Fund Modified Accrual Basis | Adjustments | Statement of Activities | Component Unit Expendable Trust |
|---|---|-------------|----------------------------|--|
| Revenues: | | | | |
| Property taxes | \$ 116,491 | \$ - | \$ 116,491 | \$ - |
| State grants | 4,871 | - | 4,871 | - |
| Fines and forfeits | 20,870 | - | 20,870 | - |
| Contributions | 3,714 | - | 3,714 | - |
| Investment return | 11,883 | - | 11,883 | (33,455) |
| Other revenue | 3,126 | - | 3,126 | - |
| TOTAL REVENUES | 160,955 | - | 160,955 | (33,455) |
| Expenditures: | | | | |
| Salaries and fringe benefits | 95,803 | - | 95,803 | - |
| Books and related materials | 24,503 | (24,503) | - | - |
| Supplies | 5,449 | - | 5,449 | - |
| Board expense | 7,951 | - | 7,951 | - |
| Repairs and maintenance | 8,195 | - | 8,195 | - |
| Insurance | 2,378 | - | 2,378 | - |
| Telephone | 2,773 | - | 2,773 | - |
| Utilities | 5,604 | - | 5,604 | - |
| Capital outlay | - | - | - | - |
| Depreciation | - | 24,694 | 24,694 | - |
| Miscellaneous | 2,567 | - | 2,567 | - |
| TOTAL EXPENDITURES | 155,223 | 191 | 155,414 | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 5,732 | (191) | 5,541 | (33,455) |
| Fund balances - January 1 | 188,922 | 159,483 | 348,405 | 170,225 |
| Fund balances - December 31 | \$ 194,654 | 159,292 | 353,946 | 136,770 |

The accompanying notes are an integral part of this statement.

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Augusta-Ross District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Augusta-Ross District Library:

1. Reporting Entity

The Augusta-Ross Township District Library (District Library) was established by joint resolution of the Township of Ross and the Village of Augusta. In accordance with generally accepted accounting principles, there is a component unit to be included in these financial statements.

Discretely-presented component unit - The component unit columns in the financial statements include the financial data of the Ella Dole McKay Memorial Fund, an expendable trust. The trust agreement names the Library as the sole beneficiary of the trust. The Library is entitled to interest and dividends on a current basis and may request all or a portion of the remaining assets for capital expenditures. This entity is presented in a separate column to emphasize that it is legally separate from the Library.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Augusta-Ross District Library.

The Statement of Activities demonstrates the degree to which the direct expenses of providing library services are offset by the revenues designated to fund those services. All of the revenues of the Library are intended to pay for those direct expenses.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation-Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The funds are presented in these financial statements as follows:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library.

4. Capital Assets

Capital assets, which include property, plant and equipment are reported in the Statement of Net Assets column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

| | |
|------------------------|---------------|
| Buildings | 55 years |
| Building improvements | 15 - 30 years |
| Land improvements | 15 years |
| Collections | 10 years |
| Equipment | 15 years |
| Furniture and Fixtures | 10 - 15 years |
| Computer Equipment | 5 years |

5. Budgets and Budgetary Accounting

The Library follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan.

The budget is adopted on a basis consistent with generally accepted accounting principles. The operating budget includes proposed expenditures and the means of financing them. Budgeted amounts are as originally adopted, or as amended by the Library Board as of December 31, 2008.

Appropriations for the general fund lapse at the end of the fiscal year.

6. Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Risk Management

The Augusta-Ross District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for claims relating to general liability, excess liability, physical damage (equipment, buildings and contents) and worker compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

9. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

10. Cash Equivalents

The Library considers all short-term investments with an original maturity of three months or less to be cash equivalents.

NOTE B - CASH AND INVESTMENTS

The Library's cash at December 31, 2008 was reported in the basic financial statements in the following categories:

| | <u>Governmental Activities</u> | <u>Total Primary Government</u> | <u>Component Unit</u> |
|------|------------------------------------|-------------------------------------|---------------------------|
| Cash | <u>\$ 190,948</u> | <u>\$ 190,948</u> | <u>\$ -</u> |

At December 31, 2008 the carrying amount of the Library's deposits was \$190,948. The bank balance of the Library's deposits was \$190,898. Of the bank balance, \$100,689 was covered by federal depository insurance, the remainder being uninsured.

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008

NOTE B - CASH AND INVESTMENTS - CONTINUED

Investments at December 31, 2008, consist of the following, with separate identification of investments representing 5% or more of total assets:

| <u>Investment type</u> | <u>Component unit</u> |
|-------------------------------|-----------------------|
| Stock | \$ <u>3,289</u> |
| Nonrisk-categorized: | |
| Citigroup Bond | 14,561 |
| Wells Fargo Bond | 15,837 |
| Federated Prime Obligations | 12,771 |
| Hartford Capital Appreciation | 16,134 |
| Munder Large Cap Core Growth | 7,662 |
| Munder Bond Fund | 55,651 |
| Other Funds | <u>10,865</u> |
| | <u>133,481</u> |
| | \$ <u>136,770</u> |

Stock is held in name of the Ella Dole McKay Memorial Fund. The trust document does not place limitations on the type or extent of investment holding.

NOTE C - CAPITAL ASSETS

Capital asset activity of the Library for the year ended December 31, 2008 was as follows:

| | Balance January 1 <u>2008</u> | Addi- tions | Dele- tions | Balance December 31 <u>2008</u> |
|-------------------------|-------------------------------------|----------------|----------------|---------------------------------------|
| Governmental Activities | | | | |
| Capital Assets | | | | |
| Building | \$ 106,091 | \$ - | \$ - | \$ 106,091 |
| Building improvements | 27,223 | - | - | 27,223 |
| Land improvements | 8,151 | - | - | 8,151 |
| Collections | 181,401 | 24,503 | 15,140 | 190,764 |
| Equipment | 2,230 | - | - | 2,230 |

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008

NOTE C - CAPITAL ASSETS –CONTINUED

| | | | | |
|---------------------------------------|-------------------|-----------------|---------------|-------------------|
| Furniture and Fixtures | 66,496 | - | - | 66,496 |
| Computer Equipment | <u>33,698</u> | <u>-</u> | <u>19,500</u> | <u>14,198</u> |
| Subtotal | <u>425,290</u> | <u>24,503</u> | <u>34,640</u> | <u>415,153</u> |
| Less Accumulated Depreciation for | | | | |
| Building | 67,843 | 1,929 | - | 69,772 |
| Building improvements | 12,404 | 1,691 | - | 14,095 |
| Land improvements | 2,988 | 544 | - | 3,532 |
| Collections | 85,589 | 18,608 | 15,140 | 89,057 |
| Equipment | 1,337 | 149 | - | 1,486 |
| Furniture and Fixtures | 66,031 | 233 | - | 66,264 |
| Computer Equipment | <u>29,615</u> | <u>1,540</u> | <u>19,500</u> | <u>11,655</u> |
| Subtotal | <u>265,807</u> | <u>24,694</u> | <u>34,640</u> | <u>255,861</u> |
| Governmental Activities Capital Total | | | | |
| Capital Assets - Net of Depreciation | \$ <u>159,483</u> | \$ <u>(191)</u> | \$ <u>-</u> | \$ <u>159,292</u> |

NOTE D - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Library's actual and budgeted expenditures have been adopted on a functional basis.

This is the same basis for which the budget has been legally adopted.

During the year ended December 31, 2008, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| | <u>Total</u> <u>Appropriations</u> | <u>Total</u> <u>Expenditures</u> | <u>Budget</u> <u>Variance</u> |
|------------------------------|---------------------------------------|-------------------------------------|----------------------------------|
| General Fund | | | |
| Salaries and fringe benefits | \$ 94,100 | \$ 95,803 | \$ 1,703 |
| Board expense | 7,850 | 7,951 | 101 |
| Repairs and maintenance | 3,375 | 8,195 | 4,820 |
| Telephone | 2,608 | 2,773 | 165 |

REQUIRED SUPPLEMENTAL INFORMATION

Augusta-Ross District Library
 Budgetary Comparison Schedule-General Fund
 Year Ended December 31, 2008

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget |
|--------------------------------------|--------------------|-------------------|---------|---------------------------------|
| Beginning of Year Fund Balance | 188,922 | 188,922 | 188,922 | - |
| Resources (Inflows) | | | | |
| Property taxes | 98,000 | 116,491 | 116,491 | - |
| State grants | 2,750 | 4,871 | 4,871 | - |
| Fines and forfeits | 22,000 | 22,119 | 20,870 | (1,249) |
| Contributions | 2,500 | 2,463 | 3,714 | 1,251 |
| Interest | 3,000 | 6,637 | 11,883 | 5,246 |
| Other revenue | 100 | 3,128 | 3,126 | (2) |
| Amounts Available for Appropriation | 317,272 | 344,631 | 349,877 | 5,246 |
| Charges to Appropriations (Outflows) | | | | |
| Salaries and fringe benefits | 88,000 | 94,100 | 95,803 | (1,703) |
| Books and related materials | 19,500 | 24,900 | 24,503 | 397 |
| Supplies | 5,500 | 5,500 | 5,449 | 51 |
| Board expense | 6,700 | 7,850 | 7,951 | (101) |
| Repairs and maintenance | 3,200 | 3,375 | 8,195 | (4,820) |
| Insurance | 2,700 | 2,380 | 2,378 | 2 |
| Telephone | 3,200 | 2,608 | 2,773 | (165) |
| Utilities | 7,000 | 5,604 | 5,604 | - |
| Capital outlay | 3,700 | 5,165 | - | 5,165 |
| Miscellaneous | 1,500 | 4,227 | 2,567 | 1,660 |
| Total Charges to Appropriations | 141,000 | 155,709 | 155,223 | 486 |
| Budgetary Fund Balance-December 31 | 176,272 | 188,922 | 194,654 | 5,732 |

The accompanying notes are an integral part of this statement.

CALVIN D. MEEUSEN, C. P. A., PLLC

CALVIN D. MEEUSEN
CERTIFIED PUBLIC ACCOUNTANT

600 S. BEACON BLVD., SUITE 1 A * GRAND HAVEN, MI 49417-2178
(616) 846-6210 FAX (616) 846-5111

348 S. WAVERLY RD., SUITE 126 * HOLLAND, MI 49423-8102
(616) 395-8477

January 23, 2009

Members of the Library Board
Augusta-Ross District Library
Augusta, Michigan

In connection with my examination of the statement of net assets of the Augusta-Ross District Library as of December 31, 2008 and the related statement of activities for the year then ended, I have reviewed the accounting policies and procedures employed by the Library and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Augusta-Ross District Library for the year ended December 31, 2008, and have issued my report thereon dated January 23, 2009. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Augusta-Ross District Library to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Augusta-Ross District Library is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting procedures.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Library taken as a whole. However, I noted certain matters that I consider to be reportable conditions under standards

established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The size of the Library's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Library Board continue to take an active role in the financial affairs of the Library to provide oversight and independent review functions.

A budget is required by the State Constitution, State Statutes and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Library Board. Any amendments to the adopted budget should be made no later than the last day of the fiscal year and any transfer of monies between funds, except those authorized by statute, should be held to an absolute minimum and should be authorized by resolution of the Library Board and recorded in the Board minutes.

The Library should consider using more financial institutions in order to maximize Federal Deposit Insurance Corporation (FDIC) coverage on their bank accounts. The Library had deposits of \$190,948 of which approximately \$90,259 was not covered by the FDIC.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same from them in the future. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,

Calvin D. Meeusen, C.P.A., PLLC